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CORPORATION FILE



Bank of America
NATIONAL TRUST AND SAVINGS ASSOCIATION

ANNUAL REPORT

1941

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On December 9, 1941, two days following the attack upon Hawaii, and one day following the United States' declaration of war with Japan, Bank of America's new administration office building was formally opened at 300 Montgomery Street, San Francisco.

On that occasion Chairman A. P. Giannini announced that total resources of Bank of America exceeded Two Billion Dollars.

Viewing the Two Billion Dollar mark as a symbol, the Bank's founder observed that California and the Far West had become of age as a center of finance.

"Now, more than ever," Mr. Giannini said, "we are able to aid in our Nation's defense." He viewed the Bank's growth and development, "not with private satisfaction over personal achievement, but with deeply felt gladness that this organization is now so well equipped to carry on its policy of all-out aid to defense."

Characterizing the new administration office as an annex to every branch of Bank of America in every community, Mr. Giannini added:

"Think of it as a place filled with highly trained specialists in all the varied activities of present-day banking, available to aid in the solution of any and all banking problems in the various sections of the State; as a reservoir of experience, brain and man power and financial resources, instantly ready to lend assistance wherever needed. For the first function of this office, as well as the similar one in Los Angeles, is to supplement the resources and services of the 495 Bank of America branches throughout the State in their efforts to build a finer California and a greater America."

Bank of America

NATIONAL TRUST AND SAVINGS ASSOCIATION

San Francisco, California

January 13, 1942

Annual Report of President L. M. Giannini to the Stockholders



IT is most gratifying to report to you that Bank of America became a Two Billion Dollar Bank in 1941.

Total resources on December 31, 1941, were \$2,095,635,619, a gain of \$278,100,433 over the previous year-end.

Many factors contributed to this record achievement, including an abnormal increase in California business activity, with the resultant growth of employment and payrolls. But, it seems to me, the most important factors were the single-mindedness of the Bank's staff in building the institution for greater public service, recognition by the people of California of the increased importance of Bank of America as a commercial bank as distinguished from a savings bank, and the hearty cooperation of stockholders.

This Bank, with some 152,000 stockholders, enjoys a more widespread ownership than any similar institution. Stockholders have contributed materially to the growth of the Bank, not only by their own patronage, but by recommending the facilities of the Bank to their friends. This has not been an organized activity, but it has been effective nevertheless, and mutually beneficial.

Since 1932 the Employees' Business Building Program has been in continuous operation, and during these years there has been no inter-

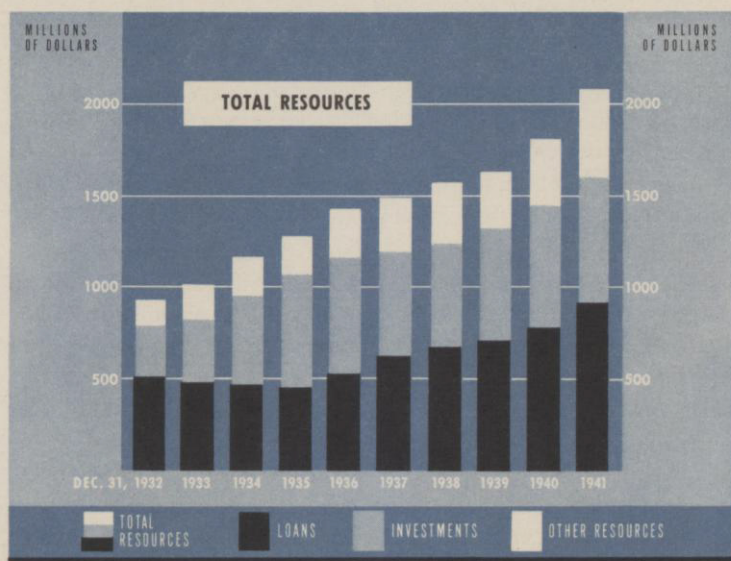


ruption in the Bank's growth. Total deposit gain in nine years to December 31, 1941, was \$1,158,725,616—a yearly average increase of \$128,747,291.

The memorable birthday gift to A. P. Giannini, the Bank's founder, in the form of a business building campaign conducted by the entire staff, resulted in \$181,000,000 increase in deposits in the year ended May 6, 1941. This brought the Two Billion Dollar mark within sight. Without the fanfare of a special campaign, the staff determined to reach that mark, and did so—by fitting coincidence—at the time of opening the new administration office building in San Francisco in December.

Total Deposits of \$1,908,383,921 on December 31, 1941, represented an increase within the year of \$276,155,524 and exceeded any previous year's gain in the Bank's history.

Notable among developments in 1941 was the increase in commercial deposits. The year-end total, \$976,183,373, constituted a gain of \$218,713,528. This, also, was a continuation of a long-established trend. While maintaining and strengthening its position as the Nation's largest savings institution, Bank of America has been growing even more rapidly as a commercial bank. Demand deposits were 23.5 per cent of total deposits in 1932, 35.7 per cent in 1936, 46.4 per cent at



the end of 1940, and on December 31, 1941, they were 51.2 per cent of the total.

According to the latest count, Bank of America carries more than 2,600,000 deposit accounts, an increase of 200,000 accounts over last year. Between 1932 and 1941, the estimated population of California increased 28 per cent, while during this period—showing extension and popularity of Bank of America service—the number of the Bank's deposit accounts increased 69 per cent.

Ten years ago the Bank was carrying more than one deposit account for each *four* California citizens. Even this record has been improved; today there is more than one account in the Bank for each *three* Californians.

Another measure of expanding service is represented by outstanding loans which totalled \$914,569,553 on December 31, 1941, an increase of \$136,274,452, or 17.5 per cent, over the record total at the end of the previous year. This more than kept pace with the rate of growth in deposits.

Capital Funds totalled \$160,378,646 on December 31, 1941, and were \$4,040,955 higher than at the preceding December 31st. This was the net increase after \$3,000,000 was applied on January 2, 1941, for purchase and retirement of Preferred Stock.

An activity in which Bank of America is pleased to be taking a vigorous part, although no record of it appears in the operating statement or statement of condition, is the sale of United States Defense Bonds. The sale of these bonds to the American people, determined to back up their Government with financial resources as well as with services and the product of their plants, has been handled through all the 495 branches of Bank of America since the day the bonds were first made available to the public through the medium of banks.

Total sales of United States Defense Bonds through the Bank's branches have been in substantial volume. Spirited indication of an aroused, united people is found in the fact that as an echo of the attack on Pearl Harbor defense bond sales through Bank of America branches were at the rate of a million dollars a day in the closing days of December.

Obviously the sale of defense bonds is in no sense a measure of the Bank's active part in the National Defense Program. The over-all effort includes investment of the Bank's funds in United States Government securities, loans to industry, educational and other work incident to rising taxes, various other activities, and counsel and leadership.





OPERATIONS IN 1941

AGAINST gross income of \$76,666,319 there were operating expenses of \$48,000,873, which left earnings of \$28,665,446. After reserves, profit-sharing, and other charges, there remained \$17,721,613, of which \$10,680,658 was paid to stockholders in dividends: \$9,600,000 on the Common Stock at the rate of \$2.40 a share, and \$1,080,658 on the Preferred Stock at the rate of \$2.00 a share.

After dividend payments in 1941, Undivided Profits were increased from the year's operations by \$7,658,057 before giving effect to a transfer in January, 1941, to the reserve for retirement of Preferred Stock. One-half of this sum was used to set up a reserve for unforeseen contingencies which may result from the war or post-war readjustments, and other contingencies; the remainder, \$3,829,029, was transferred on January 2, 1942, to the Preferred Stock Retirement Fund.

Unallocated Reserves are included in the amount of \$11,284,183 shown as Reserve for War Contingencies, Etc. in the Statement of Condition presented herewith.

On January 2, 1942, the Preferred Stock Retirement Fund amounted to \$4,302,000. Of this amount, \$3,500,000 was used to retire 70,000 shares of Preferred Stock, at the original issue price of \$50 a share.

The Articles of Association provide for the retirement of a minimum of 22,500 Preferred shares out of Undivided Profits up to January, 1942. Actually, 130,000 shares were retired within this period, more than one-fifth of the total issue.

On retirement of preferred stock an amount equal to the par value of the preferred stock retired is placed in an account designated "Reserve for Increase of Common Capital." This part of capital funds is available at the discretion of the Board of Directors, either for the payment of a dividend in common stock or for an increase in the par value of the outstanding shares of common stock.

Operating expenses for the year were higher as to rate as well as in amount. They took about 63c of each gross income dollar, compared with about 61c in 1940.

Increase in operating expenses was caused mainly by a rise of \$2,141,905 in salaries and other personal service compensation (excluding profit-sharing), while taxes, amounting to \$8,227,406, were also at a high level.

Notwithstanding generally higher costs, some reduction was effected in the *ratio* of total operating expenses *per dollar of deposits*. That is,



SUMMARY OF OPERATIONS—1941

INCOME FROM:

Loans	\$45,196,997	
Security investments	19,875,886	
Miscellaneous sources, including trust fees, service charges, and recoveries	<u>11,593,436</u>	
GROSS INCOME		\$76,666,319

EXPENSES:

Salaries and payments for personal services	\$19,641,304	
Interest paid to depositors	11,581,685	
Taxes: Local, State and Federal, including Social Security, and Federal Deposit Insurance assessments (paid and accrued for 1941)	8,227,406	
Other operating costs	<u>8,550,478</u>	
TOTAL OPERATING EXPENSES		48,000,873
EARNINGS		<u>\$28,665,446</u>

CHARGES AGAINST EARNINGS:

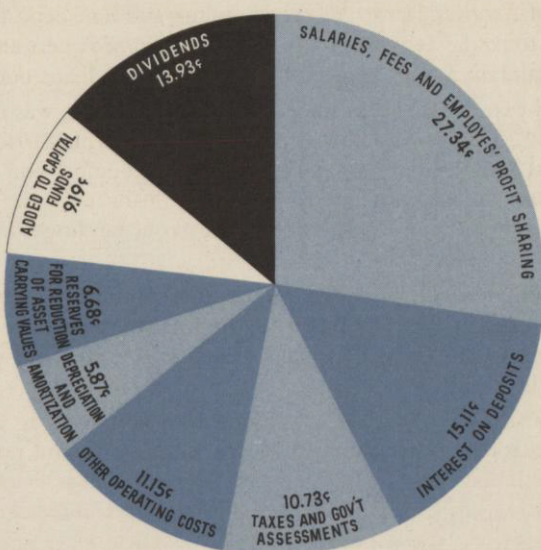
Depreciation of banking premises, furniture, fixtures and equipment, and amortization of bond premiums	\$ 4,502,757	
Reserves set up and applied to absorption of losses or revaluation of assets	5,118,980	
Employees' profit sharing participation	<u>1,322,096</u>	
TOTAL CHARGES AGAINST EARNINGS		10,943,833
		<u>\$17,721,613</u>

Dividends paid:

Preferred Stock—rate \$2 a share	\$ 1,080,658	
Common Stock—rate \$2.40 a share	9,600,000	
Added to Capital Funds*	<u>7,040,955</u>	
		<u>\$17,721,613</u>

*\$3,000,000 of the Reserve for Retirement of Preferred Stock was utilized on January 2, 1941, to retire stock.

DISTRIBUTION OF THE GROSS INCOME DOLLAR — 1941



the rate of increase in operating costs was less than the rate of increase in deposits. In 1941 total operating expenses amounted to \$2.52 per \$100 of deposits at the year-end; this figure compares with \$2.76 for 1940.

Operating results and distribution of the gross income dollar in 1941 are summarized in the foregoing statement and chart.



LENDING ACTIVITIES IN 1941

LENDING activities by Bank of America in 1941, and developments and changes during the year again demonstrate the value of:

- Deposits divided between savings and demand—to permit the making of all classes of bank loans;

- Offering a complete, fully diversified line of loan services—so that any unpredictable or unavoidable reduction in demand for specific classes of loans may be offset by increased demand for other forms of bank credit; and

- Mobile funds, an attribute of statewide branch banking—meeting seasonal requirements, effectively serving growing and thriving communities, and thus keeping employable funds constantly at work.

LENDING ON REAL ESTATE

Bank of America's large volume of savings and time deposits enables the Bank to lend extensively on real estate, to homeowners and others; and to maintain a high degree of stability in total loans outstanding.

At mid-year, 1941, when the latest detailed analysis was made, the Bank had 120,484 real estate loans outstanding, of which 101,849 were residential loans, reflecting a gain of 15,222 in number and a gain of \$51,363,000 in the amount of residential loans over the previous mid-year report. The average real estate loan outstanding was approximately \$3,500.

Loans providing for instalment repayment continue to increase. This type accounted for 95.1 per cent of the total number as at June 30, 1941, compared with 92.8 per cent one year previous and with 80.4 per cent three years previous.

Real estate lending is a highly competitive field of credit extension. Home loans and other sound real estate loans are sought not only by banks, but by insurance companies, building and loan associations, and other lending institutions. All the more significant, therefore, is Bank of America's position in home financing in California.

FHA loans made by the Bank in 1941 amounted to approximately \$65,000,000 and brought the total of loans outstanding in this classification up to \$250,000,000, the largest total of any specific class of loans in the Bank.

A new type of FHA loan was introduced in 1941—Title VI—which is designed to meet housing conditions in defense areas. Toward the year-end the Bank had over \$20,000,000 in commitments outstanding under this Title.

There has been an almost complete cessation of construction of higher priced homes throughout the State, and of lower priced homes as well in so-called non-defense areas. However, homes costing not over \$6,000 can still be built in quantity in defense areas and it is expected that such areas presently existing will be extended.

Demand for workers in the aircraft, shipbuilding and other defense industries has caused and is continuing to cause a large influx of labor to California—and defense workers must be housed. An estimate released September 8, 1941, by the State department of motor vehicles indicated that California population had increased 581,031 since the Federal Census in April, 1940.

While defense has materially changed the complexion of home building, all things considered it is expected that Bank of America's outstanding home loans will register a further increase in 1942.



LENDING FOR DEFENSE

Loans and commitments made in 1941 specifically for defense purposes exceeded \$100,000,000, with activity at a rapidly accelerating rate in the closing months of the year. These defense loans provide for working capital, plant facilities and construction, supplies, equipment, and a great variety of other defense purposes.

The full effect on national defense of Bank of America's credit service is not in the dollar amount of loans and commitments, but in the total volume of defense materials and equipment produced with the aid of such financing. In a representative case, for example, a \$500,000 loan enabled a manufacturer to finance a \$5,000,000 defense contract.

TIMEPLAN FINANCING

Increased volume of Timeplan financing during the first eight months of 1941 in all categories, except property modernization, was sufficient to produce a substantial increase in the year-end total of instalment credit loans outstanding. However, a turn in the trend occurred in September. From then to the end of the year the volume of automobile and equipment financing was less than in comparable months of 1940.

This change was caused both by reduction in goods available for sale and by regulations established by the Board of Governors of the Federal Reserve System applicable to consumer credit.

Bank of America's standard instalment credit terms have always been conservative. Hence the new Federal Reserve regulations themselves impose no hardship. However, regulations combined with reduction in goods available for financing point to a decrease in the volume of new Timeplan consumer credit loans made in 1942. This may all be regarded as in the interest of effective national defense.

It is anticipated that any ultimate shrinkage in the volume of consumer credit loans will be more than offset by increases in defense loans and other types of loans.

More than 688,000 Timeplan loans were made in 1941; the average amount of this type of loan was under \$300.

Approximately 280,000 personal loans were made in 1941, 38,000 more than in 1940, the aggregate of which was about \$50,000,000, or \$7,500,000 in excess of the 1940 total. Considerable increase in personal loan business in 1942 is anticipated, which will continue the trend of past years.

Since Bank of America pioneered in the extension of personal credit, over 1,200,000 individuals who have borrowed approximately \$200,000,000, have saved \$19,000,000 in cost for this type of loan. (This



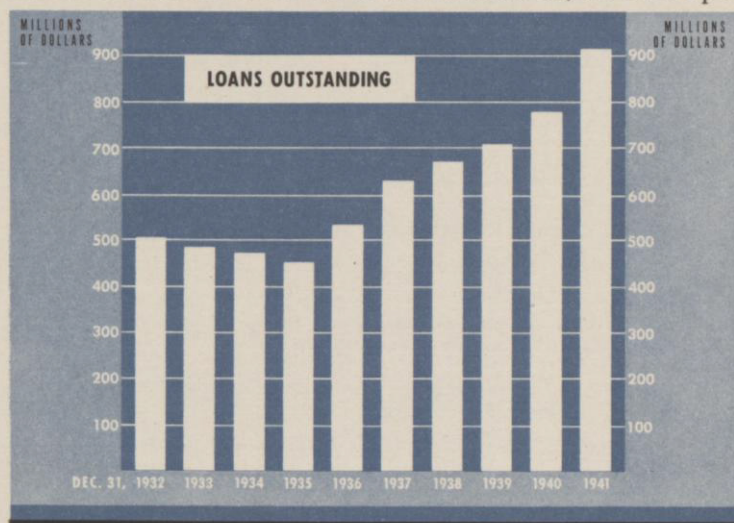
saving does not include millions more saved by thousands who have financed automobiles or household equipment through Timeplan.)

The \$19,000,000 in interest cost saved by Timeplan personal loan borrowers represents the difference in cost if they had borrowed the same amount for the same period of time under the legal rate for California small loan companies. For example, on a \$100 loan, repayable monthly over one year's time, the small loan company legal rate is $2\frac{1}{2}\%$ a month, or 30% simple interest per annum. This compares with the Timeplan monthly interest rate of slightly less than 1%, or annual simple interest rate of 11.1%. Deducting the cost of life insurance in connection with Timeplan financing, the Bank's effective simple annual interest rate is 9.23%.

For comparative purposes, the Bank's cost to the borrower, excluding life insurance, is \$5 for a \$100 loan repaid in 12 equal instalments, while the same loan under the same conditions, if made at the California small loan company legal rate, would cost \$17.

Personal loans, serving 101 different purposes, were made to more than one hundred occupational classifications in 1941. Over 50,000 loans were in amounts of \$50 to \$100.

The Bank welcomes the small borrower, and every effort is being made to extend to him the advantages of low-cost Timeplan bank credit. In the downtown metropolitan areas where the higher rate small loan companies flourish, these companies actually outnumber the Bank as to locations almost two to one. Nevertheless, the Bank's per-



RESOURCES

Cash in our vaults and on deposit with Federal

Reserve Bank \$268,174,633.17

Cash on deposit with banks in New York, Chicago and

other cities and cash items in process of collection . . . 160,891,154.39

TOTAL CASH \$ 429,065,787.56

Securities of the United States Government and

Federal Agencies \$493,707,662.60

State, county and municipal bonds 158,491,958.95

Other bonds and securities 37,194,287.99

Stock in Federal Reserve Bank 3,720,000.00

TOTAL SECURITIES \$ 693,113,909.54

We have loaned to our customers for use in their businesses, for national defense contracts, for the storing of commodities, for intermediate capital uses, for building, buying or modernizing their homes, financing automobile or household equipment purchases, and for other legitimate needs

\$914,569,552.78

We have interest due us on bonds and loans (earned to the date of this statement), and accounts receivable . . .

6,477,141.87

We hold guarantees and securities of customers and banks, for letters of credit, acceptances and endorsed bills . .

14,008,884.27

TOTAL DUE US FROM CUSTOMERS \$ 935,055,578.92

Bank buildings, furniture, fixtures and safe deposit vaults. This figure represents the cost less depreciation reserve of \$17,291,973.91

\$ 31,957,940.30

Other real estate owned. This is real estate acquired in the settlement of debt carried at cost or appraised value, whichever is lower

\$ 5,612,898.17

Other resources including supplies inventory, automotive equipment, deferred charges, etc.

\$ 829,504.33

TOTAL RESOURCES \$2,095,635,618.82

America

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S ASSOCIATION

December 31, 1941

LIABILITIES

Demand deposits. Funds placed with the Bank by individuals, corporations, firms, banks, public officials and the United States Government (payable on demand)	\$976,183,372.94
Savings and time deposits. Funds placed with the Bank in savings accounts or for extended periods of time by individuals, corporations, firms, United States Government, State of California and political subdivisions thereof	932,200,548.29
TOTAL DEPOSITS	\$1,908,383,921.23
We have endorsed Bankers' Acceptances and issued Letters of Credit on behalf of customers, and have agreed to honor Customers' Drafts (not yet due), all of which are secured by the guarantees and collateral of customers and banks included in resources	\$ 14,211,905.28
We have set aside as a reserve for interest payable on time deposits and for taxes and other expenses	\$ 3,217,021.83
We have reserved for interest received in advance on loans. This amount will be taken into income as earned.	\$ 9,444,124.02
TOTAL LIABILITIES	\$1,935,256,972.36

CAPITAL FUNDS

The difference between the total resources and the total liabilities represents the Bank's working capital, provided by the stockholders as a protection for depositors. It is carried on the books as follows:

Capital. Representing the investment of over 152,000 stockholders.	
Common (4,000,000 Shares.)	\$ 50,000,000.00
Preferred (540,000 Shares.) Issued at \$50 (\$20 Capital \$30 Surplus), Annual Dividend \$2. Preferred to extent of and retireable at issue price and accrued dividends	10,800,000.00
Surplus. Paid in by stockholders or accumulated from earnings in the operation of the Bank	62,000,000.00
Undivided profits. Profits accumulated and not withdrawn, but left with the Bank for use in conducting its business	21,634,808.17
Reserve for War Contingencies, Etc. Additional profits accumulated from operations and set apart by the Board of Directors for unforeseen contingencies which may result from the war or post-war readjustments, and other contingencies	11,284,183.47
Other Reserves. Set aside out of accumulated profits by the Board of Directors, available as a reserve, in addition to Surplus and Undivided Profits, against normal contingencies	2,986,680.59
Reserve for Increase of Common Capital. Funds provided from earnings for the increase of Common Capital resulting from the retirement of Preferred Stock	1,200,000.00
Retirement Fund. Funds set aside from profits to retire Preferred Stock by purchase or by call in accordance with the Articles of Association of the Bank	472,974.23
TOTAL CAPITAL FUNDS	\$ 160,378,646.46
LIABILITIES AND CAPITAL FUNDS	\$2,095,635,618.82

the London, England, banking office.

er Federal Deposit Insurance Corporation

sonal loan volume in 1940 (latest comparative figures available) exceeded the combined volume of all licensed small loan companies.

COMMODITY LOANS

Considerable activity took place in 1941 in commodity loans in connection with Government orders for foodstuffs, fabricated and unfabricated steel products, and other commodities going into defense production.

Featuring the year's business was a large increase in number of commodities financed. This form of credit—pioneered by Bank of America—is readily adapted to the needs of businesses which deal in innumerable items. Commodity loans often provide credit accommodations which borrowers cannot obtain in any other way.

Under the influence of defense activity, higher prices, and, possibly, operators' desire to protect against further price increases, the Bank's commodity loan business grew faster in the closing months of 1941 than at any previous time in the history of the department. Total commodity credit extended during the year was about 36 per cent more than the year before.

FINANCING ACCOUNTS RECEIVABLE

Rapid expansion of financing accounts receivable occurred in 1941. This form of credit extension, of vital importance to small business, resulted in discounting over \$70,000,000 of open accounts receivable during the year, a gain of about 75 per cent over the previous year.

Service was extended to a large number of individual manufacturers, wholesalers and distributors of a wide variety of products. The average net worth of these concerns definitely places them in the category of "small business," and the service has proven a sound and practical means of meeting the credit requirements of this group.

On December 31, 1941, outstanding gross receivables purchased amounted to \$7,200,000, which compared with outstandings of \$4,500,000 a year before.



INVESTMENTS IN 1941

THE Bank's investments in securities of the United States Government and Federal agencies increased \$42,428,521 during the year and stood at \$493,707,663 on December 31, 1941. About 95 per cent of bond investments consisted of securities of the United States Government and Federal agencies, and bonds of states, counties and municipalities. Total securities held at the year-end were slightly more

than a year ago, a greater proportion of the increase in deposits being reflected in increased loans. Total loans and investments were \$160,-712,065 higher than at the end of 1940.

TRUST DEPARTMENT OPERATIONS



BANK OF AMERICA in 1941 was named as executor or trustee, or both, in 2,123 Wills providing for the ultimate distribution and administration of estates having an estimated aggregate value of over \$116,100,000. Also during the year 160 new private trusts were opened, with combined assets in excess of \$8,000,000.



Property and money amounting to over \$33,000,000 were distributed during the year to some 4,100 heirs, devisees and beneficiaries of estates and trusts in which the Bank served as executor or trustee, or in both capacities. During 1941 the Bank was appointed as executor or administrator in the probate of 288 estates, the total assets of which were \$12,700,000.

Especial effort has been directed toward securing more of the better trust business, and in reducing routine operating costs, with considerable accomplishment in both respects during the year. In consequence, earnings of the department were fully a third higher in 1941 than in 1940.



INTERNATIONAL BANKING

BUSINESS of the International Banking Department with Mexico and with Central and South American countries increased substantially in 1941, sufficiently to offset in large degree the decline in transactions with European countries. There was also a rise in business with Java, Dutch East Indies and the Philippines prior to the December outbreak of war with Japan.

War regulations and restrictions, preceded by similar controls incident to national emergency, have given the International Banking Department an opportunity to broaden further its already broad field of good-will service. The department is instrumental in assisting customers to understand new and emergency regulations, and to prepare necessary forms and reports; it also acts as intermediary between customers and Washington bureaus and departments; and continues to supply and interpret news of events affecting foreign commerce.

Sales of Travelers Cheques again registered a gain over any previous year, sales in 1941 being about 31 per cent above the previous high mark reached in 1940.

Investments and commitments in foreign fields have been wholly withdrawn in some instances, and in others, including the London branch, have been reduced to safe levels without loss during the year. Nevertheless, we have considered it good policy to set aside reserves for unforeseen contingencies.

FEATURES AMONG DEPOSIT ACTIVITIES

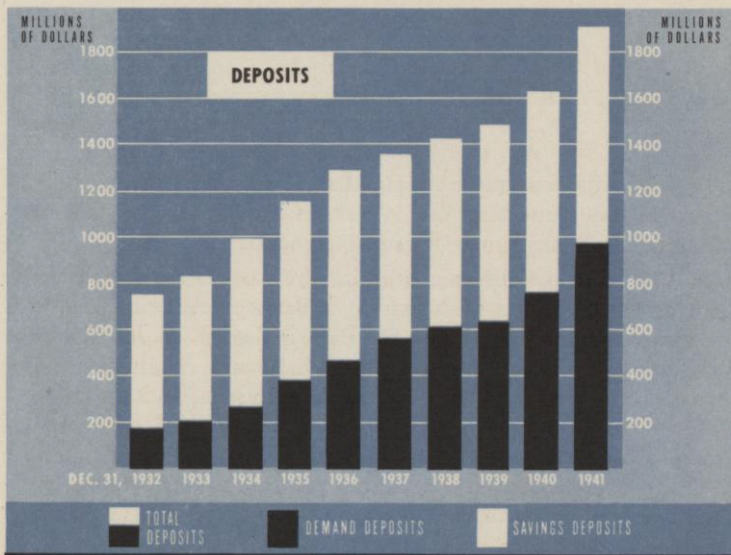


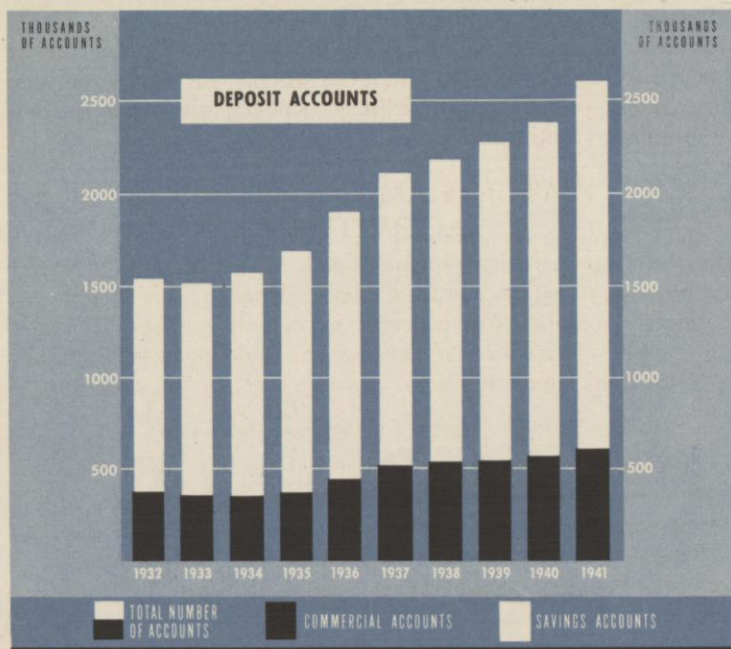
BANK OF AMERICA provides a wide variety of services for depositors, ranging all the way from school savings to business and public deposit accounts. Completeness in deposit services, including unique and exclusive services, has been an important factor contributing to the Bank's growth.

NEW SERVICES

An addition to deposit services last year was the Taxtime Savings Account, especially designed to assist taxpayers in providing for future income tax payments on a systematic, businesslike basis. The Taxtime Savings Account has been extensively advertised by the Bank, 100,000 copies of a booklet urging people to "Pay as You Earn" have been distributed, with gratifying response from the public.

Another relatively new service is the Combination Personal Loan-Savings Plan, the object of which is to assist people to get out of debt—





permanently. Under this plan a borrower is loaned an amount beyond his immediate cash requirements and this amount is deposited in a term savings account. Meeting his monthly loan payments not only keeps the savings fund intact but it also helps the borrower to acquire the systematic savings habit.

PUBLIC DEPOSITS

Bank of America has always felt that, as a member of the community, it is its duty to accept public deposits. It welcomes this business, and has on its books hundreds of such accounts.

In 30 of the 34 California cities in which banks are designated as General United States Depositaries, a Bank of America branch is designated as such a depository. The Bank is also official depository for local post offices in a large majority of California communities; and for years has had on deposit at different points in the State so-called Indian Funds under control of the Department of the Interior. In addition to Federal funds, the Bank is a depository for funds of the State of California, counties, municipalities, and political subdivisions, including irrigation, water and public utility districts, housing authorities, and bridge and highway districts.

CHRISTMAS CLUB

In excess of \$18,000,000 was distributed to over 300,000 members of the Christmas Club last December 1st. The effect of this Bank service is incalculable.

In addition to stimulating retail trade, the Christmas Club promotes thrift and systematic saving. It produces innumerable new and permanent savings accounts, and additions to old accounts. It is widely used for special-purpose saving; and many accumulated bills are paid when the annual distribution is made. The Christmas Club is both a direct and an indirect business builder for the Bank, and a proven creator of good-will.



SCHOOL SAVINGS

Fifty new schools were added in 1941 to those enjoying Bank of America savings service. Total school savings deposits now exceed \$5,600,000; and there are over 315,000 accounts on the books.

School savings was introduced by the Bank in 1911, primarily as a public service, and through this service practical lessons in thrift have been taught to school children. Many school savings accounts opened in 1911 are still in existence.



THE STAFF

TO HANDLE the Bank's growing business, both the normal increase and that resulting from defense activities, it was necessary to add 1,745 new members to the staff in 1941. The present organization is composed of 2,264 officers and 9,246 other employees—a total of 11,510 staff members.

Promotion within the ranks is the standard procedure. Pursuing this policy, 236 officers were appointed from employe ranks last year; and the total number of advancements was many times that figure.

The management seeks to make every position in the Bank an attractive post, a stepping stone to a higher one, and by every means to maintain a harmonious, loyal and efficient organization.

The Bank provides insurance and health benefits, a liberal retirement plan, profit-sharing, and permanent employment, at a salary scale comparing favorably with the national average.

Personnel policies have resulted in a high degree of loyalty and efficiency, which is evidenced by the outstanding accomplishments of the staff as a whole.

Up to December 31, 1941, 613 Bankamericans had responded to the call to serve their country in the Army, the Navy, the Marines, or in the Air Corps. The Bank has assured each staff member in military service of his position when he returns to civilian life.



BRANCH ADVISORY BOARDS

THANKS are due to members of Advisory Boards throughout the State for services which they have rendered to the institution as a whole, and to their respective branches in particular, during 1941.

These men, of outstanding importance in their communities, have given unstintingly of their time and sound counsel. To them is due the credit in no small measure for the growth of the Bank, for the extension of its service in the building of California, and for another year's accomplishment which in many particulars has set new records.

May I express to Advisory Board members both my sincere appreciation and that of the stockholders.



GENERAL

RECORD business was transacted in California in 1941. When complete figures are compiled they probably will show an increase of around a billion dollars in aggregate value of production, or about 40 per cent above the 1940 total.

Increase in business activity, stimulated mainly by the war industries, notably aircraft and shipbuilding, was widely shared. Employment increased, and payrolls increased even more sharply. The effect of this purchasing power was reflected in all lines of business.

Bank of America, being so closely associated with all phases of California business, agriculture, and the financial affairs of individuals, shared in the effect of the up-trend.

* * *

In keeping with our fundamental policy, as a statewide branch bank, of aiding the preservation and stabilization of the industries of local communities, we have been active in plans designed to utilize for war work machinery rendered idle by priorities and other circumstances arising out of our war measures.

We realize the necessity of keeping local industrial machinery running in the interests of national defense, and in order to avoid unnecessary dislocation, both social and economic, not only at this time, but also upon termination of the war. At that time much of the civilian



population will be obliged to move away from the large defense centers as a result of inevitable contraction of defense activity.

Spurred by these considerations, every effort is being exerted by the Bank to keep local industries at work in their respective communities.

At an early date the Bank's management foresaw the effect on small manufacturers of necessary priorities and preferences. A fact-finding committee composed of senior officers was appointed. Among other things this committee urged the pooling of resources of small manufacturers.

A statewide radio conference, led by Governor Olson, was held under the sponsorship of Bank of America. Out of it came several groups of small manufacturers, banded together in the interests of the war effort, and for the purpose of maintaining their local operations.

Bank officers have been assigned to foster and guide groups of small manufacturers in their dealings with various procurement agencies of the United States Government. Assistance also is being rendered to California industry by the Bank's Washington Office of Defense Information, established in the fore part of 1941.

* * *

There will be serious post-war problems for both Government and business to face, and these will be common problems. Their social aspects may not be fully apparent at this time, but there is little question that their financial phases are now clearly discernible; and, therefore, their effect on our future economy can be gauged to a reasonable extent.

The manner in which we proceed to finance our war needs will determine to a large degree the extent of the burden that will be imposed on our post-war economy. It is to be hoped that much of the expense attendant upon this war will be met by a forthright taxation program, scientifically designed so as to be neither confiscatory nor oppressive to the point of drying up the source of tax revenue, and by issuance of long term Government obligations during this period of low interest rates. Short term financing should be reserved as far as practicable for emergency purposes.

This procedure should permit business to recover its former position in some measure by allowing sufficient capital to flow with necessary freedom through normal channels and thereby rebuild our economic structure to the point where it is able to provide for the liquidation of the Government debt on an orderly basis. To require business to meet a heavy Government debt maturing in the early stages of the

transition period would hamper unduly the efforts of business to get under way for the long and hard grind ahead.

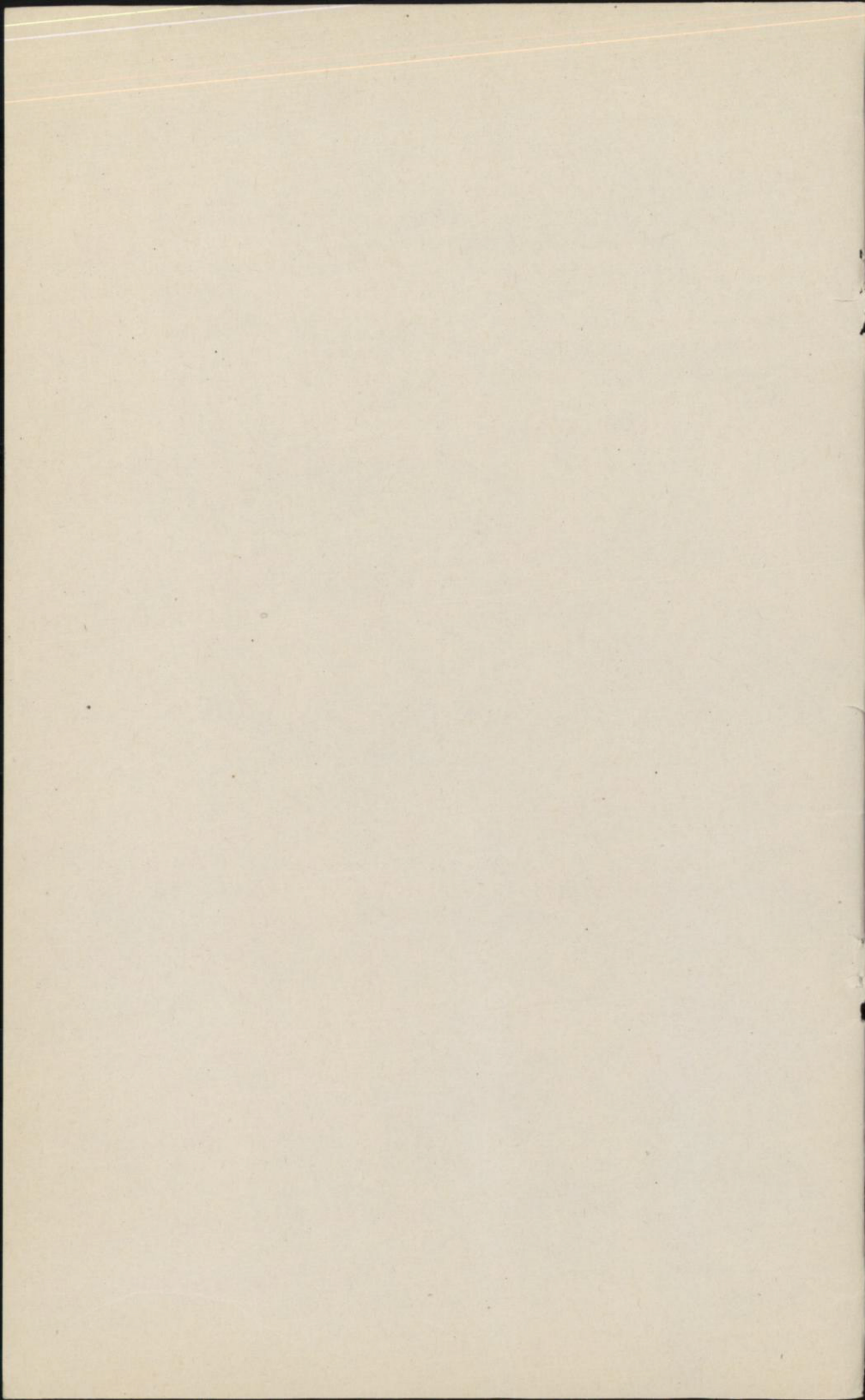
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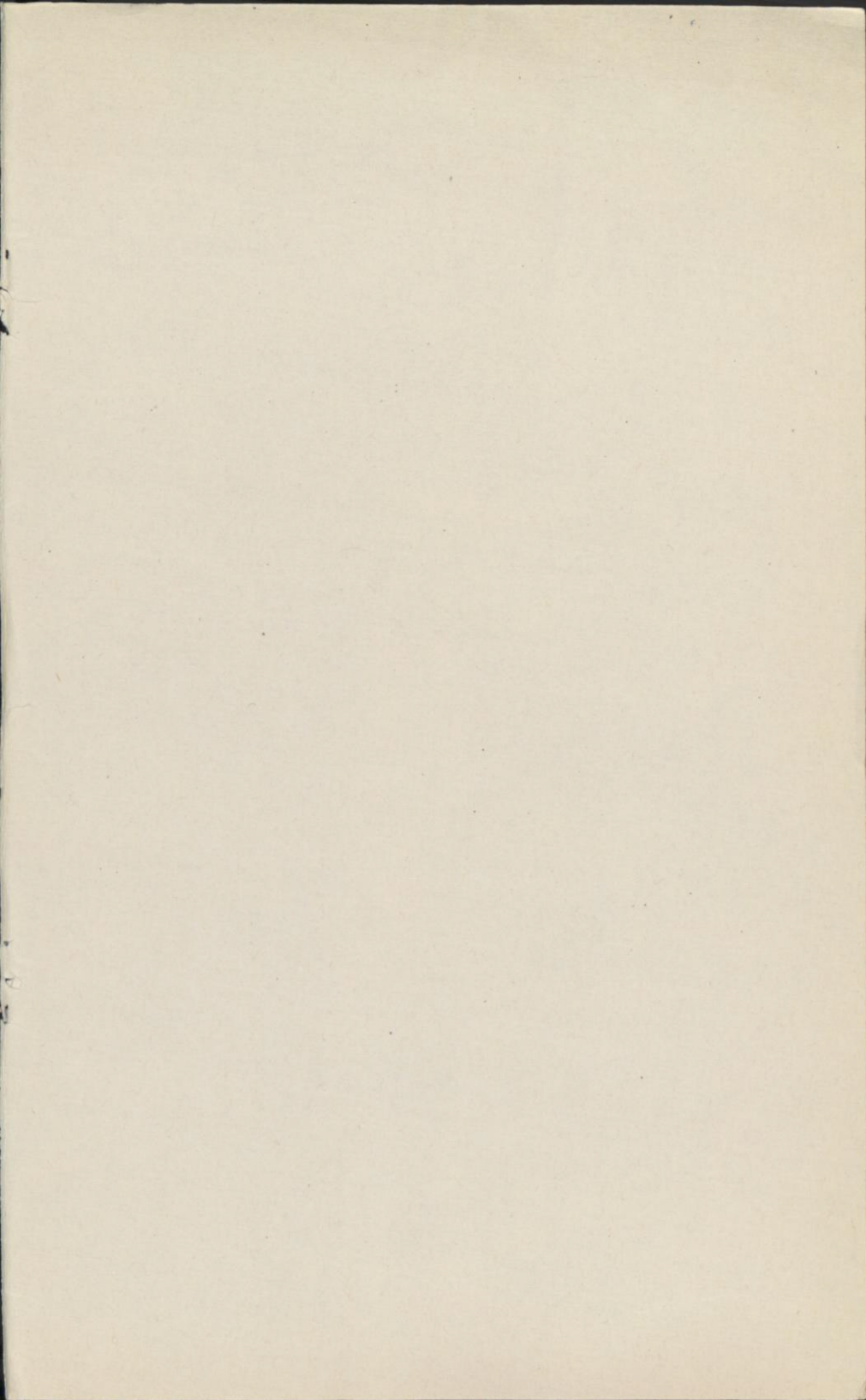
The effect, both immediate and probable, upon the American people and American business, of outright participation in war need hardly be commented upon at length. Unity in plan and purpose as well as in thought and spirit is an accepted fact. Whatever changes, adjustments and sacrifices must be made, will be made, willingly and without reservation.

Bank of America, with its 495 branches, its entire resources and facilities, its management and staff, will lend every possible support to our supreme national endeavor.

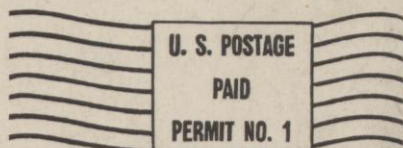
In this respect the Bank will not be alone or outstanding, for already it is evident that the same spirit of determined cooperation prevails throughout the nation.







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